# HOUSE BILL REPORT
# HB 1333

**As Reported by House Committee On:**
Finance

**Title:** An act relating to providing an extension to the local sales and use tax for public facilities in rural counties.

**Brief Description:** Providing an extension to the local sales and use tax for public facilities in rural counties.

**Sponsors:** Representatives Tharinger, Steele, Hackney and Lekanoff.

**Brief History:**

**Committee Activity:**

Finance: 2/1/21, 2/19/21 [DPS].

**Brief Summary of Substitute Bill**

- Extends until December 31, 2054, the expiration of the local sales and use tax for public facilities in rural counties for those counties imposing the full capacity of the tax prior to August 1, 2009.

## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

**Staff:** Nick Tucker (786-7383).

**Background:**

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Retail Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Local Sales and Use Tax for Public Facilities in Rural Counties.
Rural counties may impose a 0.09 percent sales and use tax (rural public facility tax), credited against the state rate, to fund certain public facilities and economic development activities. For purposes of the rural public facility tax, a rural county is a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles, as determined by the Office of Financial Management.

Revenues collected from the rural public facility tax must be used to finance public facilities serving economic development purposes in rural counties and to finance personnel in economic development offices. Public facilities generally include telecommunications infrastructure, transportation infrastructure, commercial infrastructure, some utilities infrastructure, and other specifically identified facilities. A public facility must be listed as an item in: the officially adopted county overall economic development plan; the economic development section of the county's comprehensive plan; or the comprehensive plan of a city or town located within the county, for those counties planning under the Growth Management Act.

Counties must consult with cities, towns, and port districts within the county and with the associate development organization serving the county to ensure expenditures meet the goals of the rural public facility tax. Additionally, counties must annually report to the Office of the State Auditor a list of projects implemented and expenditures made using revenues from the rural public facility tax.

For counties imposing the rural public facility tax at a rate of 0.09 percent prior to August 1, 2009, the tax expires 25 years after the tax was first imposed.

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**Summary of Substitute Bill:**

For counties imposing the rural public facility tax at a rate of 0.09 percent prior to August 1, 2009, and that met the definition of a rural county as of August 1, 2009, the tax expires December 31, 2054.

The determination of which counties qualify as a rural county must be made based on Office of Financial Management population data as required under RCW 43.62.035.

**Substitute Bill Compared to Original Bill:**

The substitute bill:

- clarifies that the extension of the expiration date of the tax until December 31, 2054, for counties that imposed the tax at a rate of 0.09 percent before August 1, 2009, applies to those counties that no longer meet the definition of a rural county, but that met the definition as of August 1, 2009; and
- clarifies which population data, determined by the Office of Financial Management, should be used to determine whether a county is a rural county.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 19, 2021.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This tax has been used by rural counties for a long time and has allowed these counties to increase economic development. There are a considerable number of people who lack access to public utilities and this bill will expand access to these facilities in rural counties. Financing public facilities is one of the biggest challenges for rural counties to meet the requirements of the Growth Management Act. The low population density makes it very difficult to fund public infrastructure. Rural counties have bonded against these revenues and this extension will allow jurisdictions to continue to bond against these revenues. Many projects rely on the public facilities that are funded with this tax, particularly housing projects. There is a need for more housing in these counties. The pandemic has affected people unequally and this bill will allow rural areas to address inequities.

(Opposed) None.

(Other) Benton County was an early adopter of this tax but has grown out of the density definition in the underlying program. By most definitions, Benton County is still a rural county. This bill should be amended to clarify how counties that grow out of the definition of rural are treated going forward. There are also some counties like Whatcom County that did not impose the full capacity of the tax prior to 2009, and those counties should also be allowed to extend the tax.

**Persons Testifying:** (In support) Representative Tharinger, prime sponsor; Kate Dean, Jefferson County; Brian Kuh, Jefferson County Economic Development Council; Gary Keister, Bayside Housing; Cherish Cornmiller, Olympic Community Action Program; and

Mark Ozias, Clallam County.

(Other) Josh Weiss, Benton County; and Tyler Schroeder, Whatcom County.

**Persons Signed In To Testify But Not Testifying:** None.